

Message Text

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21

ACTION EA-10

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 DODE-00 PM-03 H-02 L-02 PA-01 PRS-01 USIA-06

/099 W

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R 240145Z APR 75

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 7740

INFO AMEMBASSY BONN

AMEMBASSY THE HAGUE

AMCONSUL HONG KONG

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

AMCONSUL MEDAN

AMCONSUL SURABAYA

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HONG KONG FOR TREASURY REP, DEPART PASS TREASURY FOR COMP-
TROLLER OF CURRENCY, DEPT PASS FEDERAL RESERVE BOARD FOR
BANK EXAMINATION DIVISION

EO 11652: N/A

TAGS: EFIN ENRG EALR ID

SUBJ: GOI PROGRESS IN RESOLVING FINANCIAL DIFFICULTIES

REF: A. JAKARTA 3195 B. JAKARTA 3454 C. JAKARTA 4227

D. EAL

1. SUMMARY: FINANCIAL ADVISORS TO GOI REPORT OVERSUB-
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SCRIPTION OF INTIAL \$300 MILLION GOI BORROWING IN

EUROVEAN MARKET IN ADVANCE OF OFFERING AND ARE OPTIMISTIC ABOUT \$100 MILLION PLUS FROM JAPAN. GOI HAS DECIDED TO BRIDGE FINANCE WITH ITS OWN FOREIGN EXCHANGE (FX) SEVERAL MAJOR EXIM PROJECTS UNTIL THE THIRD-QUARTER CY 1975 WHEN IT PLANS TO OBTAIN COMMERCIAL FINANCING. SECOND GENERAL BORROWING OF ROUGHLY \$300-\$500 MILLION STILL CONTEMPLATED FOR FOUTH QUARTER CY1975. END SUMMARY

2. GOI FINANCIL ADVISERS KUHN-LOEB INFORMED EMBASSY APRIL 21 THAT GOI STILL FOLLOWING CLOSELY SCENARIO REF A PARA 3 FOR MAJOR BORROWINGS IN CY 1975. THREE FINANCIAL CONSULTANTS(KUHN-LOEB, WARBURG, AND LAZARD FRERES) RECOMMENDED MORGAN GUARANTY(MG), TO LEAD SYNDICATE(REF B PARA 3) AND BANK OF INDONESIA(BI) AUTHORIZED MG TO SEEK \$300 MILLION OR MORE IN 5 YEAR CREDITS. US BANKERS INFORM US THAT MG SELECTED FOLLOWING BANKS AS "CO-MANAGERS": CHASE MANHATTAN, FNCB, BANK OF AMERICA, MANUFACTURES HANOVER TRUST, CHEMICAL BANK, LLOYDS BANK INTERNATIONAL, BANQUE NATIONAL DE PARIS, ALGEMENE BANK NEDERLAND, AND DEUTSCHE BANK. KL INFORMED ECONOMIC COUNSELOR THAT IN TWO WEEKS SINCE EFFORT LAUNCHED, MG HAS OBTAINED PLEDGES OF \$30 MILLION EACH FROM 12 US AND EUROPEAN BANS, ASSURING AT LEAST \$360 MILLION AND PROBABLY MORE FROM THIS EFFORT IN EUROPEAN MARKETS. TERMS MATCH THOSE REPORTED REF A, AT ONE AND 7/8 PERCENT OVER LIBO PLUS 11/16 PERCENT MANAGEMENT FEE, WITH TWO YEAR GRACE PERIOD AND 3 YEARS REPAYMENT. MG WILL REPORT PLEDGES BY APRIL 25 AND ARRANGE LOAN SIGNATURES BY END OF MAY.

3. ALSO FOLLOWING FINANCIAL CONSULTANTS ADVICE, CENTRAL BANK GOVERNOR, RACHMAAT SALEH AND ECONOMIC MINISTER WIDJOJO DURING VISIT TO JAPAN EALRY APRIL DISCUSSED DESIRES FOR \$100 MILLION PLUS BORROWINGS FROM JAPANESE BANKS. KL OFFICIAL UNDERSTAND THAT JAPANESE BANKING CIRCLES RESPONDED FAVORABLY AND ARE NOW SEEKING GOVERNMENT APPROVAL. SIMULTANEUOUSLY GOI PURSUING EXPLORATORY TALKS WITH MID EAST FINANCIAL OFFICIALS. KL STATES THAT PRESIDENT SUHARTO'S PLANNED VISIT TO MID EAST MID 1975 WILL CAP THIS EFFORT.
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4. ALTHOUGH ADVISORS EARLIER EXPECTED TO HAVE CONCLUDED EXIM-RELATED COMMERCAL BORROWINGS BY NOW, THEY SUBSEQUENTLY RECOMMENDED THAT GOI POSTPONE THESE UNTIL CURRENT FUND RAISING EFFORT IN EUROPEAN MARKET COMPLETE SO AS NOT TO CONFUSE THE MARKET. GOI HAS THEREFORE DECIDED TO BRIDGE FINANCE FROM ITS WON FX ITS SHARE OF FOUR EXIM PROJECTS: GRESIK CEMENT, DOMESTIC SATELLITE, ROAD

EQUIPMENT, AND GAS TURBINES, AND TO ARRANGE COMMERCIAL FINANCING DURING JUNE-AUGUST 1975.

5. KL ADVISES THAT SECOND MAJOR GOVERNMENT BORROWING STILL ENVISAGED FOR FOURTH-QUARTER 1975 FOR ADDITIONAL \$300-\$500 MILLION. KL OPTIMISTIC ABOUT BORROWING PROSPECTS IN LIGHT OF SPEED WITH WHICH MAJOR BANKS PLEDGED TO PRESENT BORROWINGS, WITHOUT ANY QUIBLE ON TERMS BEING PROPOSED.

6. EMBASSY COMMENT: GOI FX RESERVES APRIL 1 TOTALED \$920 MILLION. NET FX EARNINGS ON CURRENT ACCOUNT FOR 12 MONTHS WE ESTIMATE AT ROUGHLY \$800 MILLION IN LIGHT VERY SOFT OIL EXPORT MARKET. PERTAMINA OBLIGATIONS DUE NEXT 12 MONTHS WHICH GOI MUST MEET TOTAL ROUGHLY \$1.5 MILLION. GOOD PROSPECTS FOR RAISING \$800-1,000 MILLION IN WORLD MONEY MARKETS THUS AUGERS WELL FOR GOI ABILITY TO SUSTAIN RESERVES NEAR PRESENT LEVEL OVER NEXT YEAR DESPITE HEAVY SHORT TERM DEBT REPAYMENTS-- IE, AT ABOUT 3 MONTHS OF IMPORTS. NEWSOM

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